

**MINUTES of the
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL**

Buena Vista – April 16, 2007

Attendance:

| Member | Present |
|------------------|----------------|
| H. Beckler | No |
| J. Bullock | Yes |
| L. Davis Burnham | Yes |
| R. Byrd | Yes |
| N. Cook | No |
| R. Cordrey | Yes |
| J. Davis | Yes |
| R. Davis | Yes |
| R. Derrickson | No |
| J. DiPinto | No |
| F. Dixon | Yes |
| B. Fasy | No |
| R. Gilligan | No |
| R. Glen | Yes |
| J. Horty | Yes |

| Member | Present |
|--------------------|----------------|
| D. Hudson | No |
| R. Larson | No |
| K. Lewis | Yes |
| D. Link | No |
| A. Lubin | Yes |
| J. Markell | Yes |
| J. McKinney Cherry | Yes |
| C. Morgan | Yes |
| E. Ratledge | No |
| G. Simpson | Yes |
| T. Shopa | No |
| H. Smith-Windsor | No |
| D. Swayze | Yes |
| C. Wicks | No |

Members in Attendance: 16

Members Absent: 13

Others Present: P. Carter, M. Casey, S. Cochrane, T. Cook, J. Craig, D. Dilman, R. Geisenberger, R. Goldsmith, D. Gregor, S. Kubico, B. Motyl, B. Scoglietti, S. Scola, R. Seweryn, A. Shepard-Visalli and members of the press.

Opening Business: Mr. Byrd called the meeting to order at 3:05 p.m.

The minutes from the March meeting were approved as submitted.

Expenditure Subcommittee:

Ms. Davis Burnham presented the Expenditure Subcommittee's report. She reported that the FY2007 expenditure estimate has been increased. The areas of greatest increase include Salaries, up \$10.0 million, and Contractual Services, up \$5.0 million. The increase in Salaries was attributed to schools reclassifying expenditures to the General Fund from local funds.

A motion was made, seconded and approved to accept \$3,463.5 million as the FY2007 expenditure estimate. This is an increase of \$10.6 million from March's estimate. (See Tables 1a and 1b.)

Revenue Subcommittee:

Mr. Lewis presented the Revenue Subcommittee's report.

Economic Outlook

Mr. Steve Cochrane, Senior Managing Director at Moody's Economy.com, presented the economic outlook. His assessment of the U.S. economy is that it remains sturdy. Growth has slowed below its potential growth rate but economic expansion continues. The slowdown is attributed to the housing industry and the manufacturing sector. The economy remains resilient, however, as corporate profit margins are at record levels and job growth continues to be positive. Business investment has been a disappointment in recent quarters. An improving, expanding global economy will help to support the U.S. economy via increased exports.

Mr. Cochrane detailed the serious nature of the current housing downturn. He believes that it will be another quarter or two before housing prices start to grow again. Mortgage credit quality is faltering and the mortgage delinquency rate is rising.

In Delaware, Mr. Cochrane noted that the rate of employment growth had slowed to a rate slower than the national growth rate. The decline in Delaware's finance sector has been the main factor in slowing overall employment growth. Mr. Cochrane believes that Delaware has worked through the impact of the BOA/MBNA merger and growth should resume in the finance sector. He also noted that Delaware's industrial diversity has been improving significantly over the past ten years. The employment forecast is for moderate growth over the next 2 years.

Considering Delaware fiscal issues, Mr. Cochran observed that there was some correlation between Delaware's corporation license revenue and the volume of commercial and industrial loans. He added that rising wage rates should assist

withholding collections even with only moderate employment growth. There is volatility in realized capital gains. These gains have broadly reflected the performance of the stock market. In recent years, though, the real estate market has inflated capital gains. Going forward, capital gains should revert to something that closer approximates stock market performance. The slowdown in the housing sector has impacted realty transfer revenue and Mr. Cochrane believes this faltering will continue for another two quarters.

Mr. Simpson asked what industries are most likely to contribute to the increase in US exports. Mr. Cochrane detailed three sectors, financial, accounting and legal services, high-end technology manufacturing and aerospace.

In response to a question from Mr. Markell, Mr. Cochrane commented on the Wilmington office market. He noted that, while recently it has been weaker than national averages, with improved employment growth rates this should also improve.

Mr. Lewis, Ms. McKinney Cherry and Mr. Cochrane discussed data availability that could provide a better picture of activity in Kent and Sussex counties.

General Fund Revenues - Fiscal Year 2007:

The Revenue Subcommittee recommended the following updates to March's estimates:

| Revenue Category | Mar-07 | Apr-07 | Change |
|------------------------------|---------|---------|--------|
| Abandoned Property | 325.0 | 342.0 | 17.0 |
| Corporation Income Tax | 203.0 | 190.0 | (13.0) |
| Personal Income Tax | 1,209.3 | 1,199.3 | (10.0) |
| Lottery | 252.5 | 255.1 | 2.6 |
| Other Refunds | (20.0) | (18.4) | 1.6 |
| Dividends and Interest | 22.5 | 24.0 | 1.5 |
| Realty Transfer Tax | 93.0 | 91.5 | (1.5) |
| Gross Receipts Tax | 161.8 | 160.5 | (1.3) |
| CIT Refunds | (50.3) | (49.0) | 1.3 |
| Cigarette Taxes | 88.0 | 87.5 | (0.5) |
| Hospital Board and Treatment | 63.1 | 63.3 | 0.2 |
| Other Revenues | 99.6 | 99.4 | (0.2) |

For a complete listing of FY 2007 estimates, see Table 2.

Discussion of FY 2007 Estimates:

Personal Income Tax: Tracking changes in Withholding accounted for the decrease. Mr. Lewis noted that it has been an ongoing challenge to estimate

how much one-time payments have been collected as a result of the BOA/MBNA merger. Mr. Swayze asked how much longer it would take before, on a year-over-year basis, adjustments for the merger would have worked themselves out. Mr. Gregor responded that it would be towards the end of the summer. Mr. Morgan asked when the Chrysler settlements would be realized. Mr. Gregor responded that, for the most part, it appeared they would be realized this fiscal year.

Corporate Income Tax: Mr. Lewis stated that tracking changes accounted for \$3.0 million of the decrease in the estimate. The anticipated receipt of a \$10.0 million assessment was moved from the current fiscal year into next fiscal year. Additionally, there was a large, one-time payment of \$7.0 million included in the FY2007 estimate.

Lottery: Mr. Lewis noted that the estimated impact of Pennsylvania competition might have been slightly conservative. He added, too, that the estimate for the added machines and hours might have been conservative. The result is a net increase in the estimate.

Abandoned Property: Mr. Lewis stated that annual filings are up and audits are up and this resulted in the increase to the estimate.

Updates in other categories were attributed to tracking changes.

FY2007 Estimate Adopted:

A motion was made, seconded and approved to accept the Revenue Subcommittee's recommendation of \$3,268.9 million as the revenue estimate for FY2007.

The estimate represents a decrease of \$2.3 million from DEFAC's March's estimate. Mr. Lewis noted that the nominal growth rate is 3.1% and that the adjusted growth rate is about 5.0%.

General Fund Revenues - Fiscal Year 2008:

Mr. Lewis reported that the Subcommittee recommended the following updates to March's estimates:

| Revenue Category | Mar-07 | Apr-07 | Change |
|------------------------------|---------|---------|--------|
| Abandoned Property | 310.0 | 327.0 | 17.0 |
| Personal Income Tax | 1,276.3 | 1,263.4 | (12.9) |
| Corporation Income Tax | 203.0 | 197.0 | (6.0) |
| Lottery | 246.5 | 252.1 | 5.6 |
| Dividends and Interest | 23.9 | 25.5 | 1.6 |
| Realty Transfer Tax | 93.0 | 91.5 | (1.5) |
| Gross Receipts Tax | 171.4 | 170.0 | (1.4) |
| Uniform Commercial Code | 11.9 | 13.2 | 1.3 |
| Cigarette Taxes | 89.9 | 89.4 | (0.5) |
| Hospital Board and Treatment | 70.0 | 70.2 | 0.2 |

For a complete listing of FY 2008 estimates, see Table 2.

Discussion of FY2008 Estimates:

Personal Income Tax: Mr. Lewis stated that the growth rate for Withholding was reduced to 5.2%, or roughly 6.0% on an adjusted basis. This reflected the increased uncertainty regarding the economic outlook.

Corporate Income Tax: Mr. Lewis noted that the estimate was lowered due to the lower FY2007 base and a slight reduction in the growth rate.

Lottery: The increase in the estimate reflects the belief that the full year impact of Pennsylvania slots competition may be less than initially estimated.

Abandoned Property: The estimate is the same as for FY2007, adjusted for the one-time drawdown from the reserve account done in FY2007.

Mr. Lewis reported that other changes reflected carrying forward the tracking changes made in FY2007.

FY 2008 Estimate Adopted:

A motion was made, seconded and approved to accept the Revenue Subcommittee's recommendation of \$3,345.9 million as the revenue estimate for FY2008.

The estimate represents an increase of \$3.4 million from the March estimate. Mr. Lewis noted that the nominal growth rate is 2.4% and that the adjusted growth rate is 4.0%.

Mr. Lewis presented the estimates for FY2009. He noted that the adjusted growth rate for the total General Fund is roughly 5.0%.

Mr. Lewis concluded his presentation by noting that, since last June's Revenue Resolution, the revenue estimate for FY2007 has been reduced by \$7.8 million or (0.2%). Given the volatility in the economy and in collections, Mr. Lewis thought this was a good result. FY2008 has been reduced by \$59.4 million or (1.7%). This reflects the increased uncertainty about the economic environment.

Balance and Appropriations Worksheet: Mr. Gregor presented the balance and appropriations worksheet. The result is attached as Table 3.

Transportation Trust Fund (TTF)

TTF -- Revenues: Mr. Motyl presented the Transportation Trust Fund's revenue forecast. The following changes were made from the March estimate.

FY2007 Estimates:

- **Motor Carrier Fees** was decreased from \$3.9 million to \$3.5 million.
- **Other DMV Revenue** was decreased from \$21.0 million to \$20.5 million.
- **Investment Income** was increased from \$10.5 million to \$12.4 million. Mr. Motyl attributed this to higher cash balances.

A motion was made, seconded, and approved to accept \$394.6 million as the FY2007 revenue estimate. This represents an increase of \$0.9 million from the March estimate.

FY2008 Estimates:

- **Other DMV Revenue** was decreased from \$21.6 million to \$21.1 million.

A motion was made, seconded, and approved to accept \$396.4 million as the FY2008 revenue estimate. This represents a decrease of \$0.5 million from the March estimate. (See Table 4.)

TTF -- Expenditures: Mr. Motyl presented the FY2007 TTF expenditure report.

No change was recommended from March's estimate for Operations expenditures. A \$20.0 million reduction was recommended for State Capital expenditures. Mr. Motyl attributed this to delays in projects. These include the Indian River Bridge and

the Riverfront. Federal Capital expenditures were estimated to be \$7.2 million lower than the March estimate.

A motion was made, seconded, and approved to accept a FY2007 Transportation Trust Fund expenditure estimate of \$717.9 million. (See Table 5.) This represents a decrease of \$27.2 million from the March estimate.

Ms. Davis Burnham presented a Cash Flow chart for the TTF. The result of this exercise is attached as Table 6.

Other Business:

Mr. Byrd announced the next two scheduled DEFAC meeting dates:

- May 21, 2007
- June 18, 2007

Mr. Byrd noted that May meeting will be very important for the “mark-up” of the proposed FY2008 budget and all members are encouraged to attend. There being no further business, Mr. Byrd adjourned the meeting at 4:40 p.m.

Respectfully submitted,

James A. Craig

Table 1a.

DEFAC Expenditures Forecast for General Fund Disbursements FY2007 (\$ in millions)**April, 2007**

| | FY2004 <u>Actual</u> | FY2005 <u>Actual</u> | FY2006 <u>Actual</u> | FY2007 <u>Appropriation</u> | | |
|--|-------------------------|-------------------------|-------------------------|--------------------------------|--------------|--------------|
| Budget Act | 2,445.1 | 2,600.4 | 2,836.0 | 3,101.9 | | |
| Cash to Bond Bill | 142.0 | 235.0 | 281.6 | 243.3 | | |
| Grant-in-Aid | 38.4 | 40.0 | 42.4 | 50.0 | | |
| Continuing & Encumbered (from prior years) | 173.3 | 240.1 | 327.8 | 342.5 | | |
| Supplementals | 24.9 | 50.0 | 48.0 | | | |
| <i>Fiscal Year Spending Authority</i> | 2,823.7 | 3,165.5 | 3,535.8 | 3,737.7 | | |
| <u>LESS:</u> | | | | | | |
| | | | | <i>December</i> | <i>March</i> | <i>April</i> |
| Reversions to the General Fund | 29.8 | 15.4 | 12.8 | 10.0 | 10.0 | 10.0 |
| Encumbered to next fiscal year | 29.1 | 32.8 | 32.2 | 30.0 | 30.0 | 30.0 |
| Continuing to next fiscal year | | | | | | |
| Operating Budget | | | | 126.3 | 114.8 | 93.2 |
| Bond Bill | | | | <u>132.3</u> | <u>130.0</u> | <u>141.0</u> |
| Total Continuing | 211.0 | 295.0 | 310.3 | 258.6 | 244.8 | 234.2 |
| Subtotal | 269.9 | 343.2 | 355.3 | 298.6 | 284.8 | 274.2 |
| <i>Fiscal Year Budgetary Expenditures</i> | 2,553.8 | 2,822.3 | 3,180.5 | (274.2) | | |
| | | | | 3,463.5 | | |

Details of supplemental appropriations:

2004: \$22.3 for salaries; \$2.6 for Veteran's home

2005: \$10.0 each for class instruction, post retirement, and federal contingency; \$20.0 for market pressure

2006: \$6.5 for county seats; \$5.0 energy for schools; \$8.0 energy efficiency program; \$2.0 DE energy assistance program; \$20.0 Christina School District; \$6.5 class instruction, housing & influenza

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2007 (\$ in millions)
April, 2007

| | FY2004 <u>Actual</u> | FY2005 <u>Actual</u> | FY2006 <u>Actual</u> | March FY2007 <u>Forecast</u> | April FY2007 <u>Forecast</u> | \$ change April vs <u>March</u> | FY2007 YTD <u>(9 mo actual)</u> | % spent <u>YTD</u> |
|---|-------------------------|-------------------------|-------------------------|------------------------------------|------------------------------------|---------------------------------------|------------------------------------|-----------------------|
| Salaries | 971.6 | 1,023.1 | 1,108.3 | 1,152.4 | 1,162.4 | 10.0 | 915.7 | 78.8% |
| Fringe Benefits | 233.3 | 263.2 | 298.4 | 325.2 | 324.6 | (0.6) | 245.4 | 75.6% |
| Pension | 127.8 | 147.1 | 180.7 | 202.2 | 202.5 | 0.3 | 157.6 | 77.8% |
| Debt Service | 134.3 | 153.5 | 132.5 | 131.2 | 131.2 | 0.0 | 119.6 | 91.2% |
| Grants | 224.2 | 294.1 | 403.1 | 414.0 | 414.0 | 0.0 | 320.6 | 77.4% |
| Medicaid | 327.2 | 339.1 | 381.4 | 456.0 | 455.5 | (0.5) | 334.3 | 73.4% |
| Public Assistance Programs | 62.8 | 83.6 | 91.7 | 115.0 | 112.3 | (2.7) | 73.2 | 65.2% |
| Professional Services & Travel | 143.7 | 161.3 | 181.0 | 223.0 | 221.2 | (1.8) | 161.1 | 72.8% |
| Contractual Services | 223.9 | 228.9 | 252.2 | 275.9 | 280.9 | 5.0 | 218.8 | 77.9% |
| Supplies & Materials | 62.1 | 66.5 | 73.6 | 73.8 | 73.1 | (0.7) | 55.5 | 75.9% |
| Capital Outlay | <u>42.9</u> | <u>61.9</u> | <u>77.6</u> | <u>84.2</u> | <u>85.8</u> | <u>1.6</u> | <u>69.3</u> | 80.8% |
| FY2007 Budgetary Expenditures | 2,553.8 | 2,822.3 | 3,180.5 | 3,452.9 | 3,463.5 | 10.6 | 2,671.1 | 77.1% |

Comments:

1. Increase in Salaries reflects changes made by schools to charge dollars to the GF, not local funds.
2. Cost challenges continue in Corrections and children's issues, given increased population in these areas.
3. Top 3 Grants total \$296.6 and are: Univ of Delaware \$124.1; Schools (K-12) \$112.5; Transfer to TTF \$60.
4. Medicaid has been budgeted for a 24% increase; some is being covered from special funds and the growth rate is currently a bit lower than 24%.
5. Increases in Professional Services and Contractual are not agency-specific, and reflect cash being spent from the Bond Bill.

Table 2.
DEFAC Worksheet

| April-07 DEFAC Meeting | | FY 2006 A Actual Collections | FY 2007 | | | | | FY 2008 | | | | |
|-----------------------------------|---|---|-------------------------------|-----------------------------|-------------------------------|-----------------------------|---------------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|---------------------------------------|
| | Revenue Category | | B DEFAC Mar-07 | C % B over A | D DEFAC Apr-07 | E % D over A | F \$ Increase D over B | G DEFAC Mar-07 | H % G over B | I DEFAC Apr-07 | J % I over D | K \$ Increase I over G |
| 1 | Personal Income Tax | 1,163.3 | 1,209.3 | 4.0% | 1,199.3 | 3.1% | (10.0) | 1,276.3 | 5.5% | 1,263.4 | 5.3% | (12.9) |
| | Less: Refunds | <u>(147.9)</u> | <u>(165.0)</u> | 11.6% | <u>(165.0)</u> | 11.6% | <u>0.0</u> | <u>(173.3)</u> | 5.0% | <u>(173.3)</u> | 5.0% | <u>0.0</u> |
| | PIT Less Refunds | 1,015.4 | 1,044.3 | 2.8% | 1,034.3 | 1.9% | (10.0) | 1,103.0 | 5.6% | 1,090.1 | 5.4% | (12.9) |
| 2 | Franchise Tax | 526.4 | 534.3 | 1.5% | 534.3 | 1.5% | 0.0 | 550.3 | 3.0% | 550.3 | 3.0% | 0.0 |
| | Less: Refunds | <u>(14.1)</u> | <u>(13.0)</u> | -7.9% | <u>(13.0)</u> | -7.9% | <u>0.0</u> | <u>(13.0)</u> | 0.0% | <u>(13.0)</u> | 0.0% | <u>0.0</u> |
| | Franchise Tax Less Refunds | 512.2 | 521.3 | 1.8% | 521.3 | 1.8% | 0.0 | 537.3 | 3.1% | 537.3 | 3.1% | 0.0 |
| 3 | Business Entity Fees | 61.8 | 63.7 | 3.1% | 63.7 | 3.1% | 0.0 | 66.2 | 3.9% | 66.2 | 3.9% | 0.0 |
| 4 | Limited Partnerships & LLC's | 76.5 | 90.5 | 18.3% | 90.5 | 18.3% | 0.0 | 101.4 | 12.0% | 101.4 | 12.0% | 0.0 |
| 4 | Uniform Commercial Code | 14.7 | 12.8 | -12.7% | 12.8 | -12.7% | 0.0 | 11.9 | -7.0% | 13.2 | 3.1% | 1.3 |
| 5 | Corporation Income Tax | 182.7 | 203.0 | 11.1% | 190.0 | 4.0% | (13.0) | 203.0 | 0.0% | 197.0 | 3.7% | (6.0) |
| | Less: Refunds | <u>(20.2)</u> | <u>(50.3)</u> | 149.4% | <u>(49.0)</u> | 143.0% | <u>1.3</u> | <u>(32.5)</u> | -35.4% | <u>(32.5)</u> | -33.7% | <u>0.0</u> |
| | CIT Less Refunds | 162.6 | 152.7 | -6.1% | 141.0 | -13.3% | (11.7) | 170.5 | 11.7% | 164.5 | 16.7% | (6.0) |
| 6 | Bank Franchise Tax | 132.7 | 170.2 | 28.2% | 170.2 | 28.2% | 0.0 | 154.8 | -9.0% | 154.8 | -9.0% | 0.0 |
| 7 | Gross Receipts Tax | 179.3 | 161.8 | -9.7% | 160.5 | -10.5% | (1.3) | 171.4 | 5.9% | 170.0 | 5.9% | (1.4) |
| 8 | Lottery | 248.8 | 252.5 | 1.5% | 255.1 | 2.5% | 2.6 | 246.5 | -2.4% | 252.1 | -1.2% | 5.6 |
| 9 | Abandoned Property | 325.1 | 325.0 | 0.0% | 342.0 | 5.2% | 17.0 | 310.0 | -4.6% | 327.0 | -4.4% | 17.0 |
| 10 | Hospital Board and Treatment | 59.9 | 63.1 | 5.3% | 63.3 | 5.6% | 0.2 | 70.0 | 10.9% | 70.2 | 10.9% | 0.2 |
| 11 | Dividends and Interest | 13.5 | 22.5 | 66.7% | 24.0 | 77.8% | 1.5 | 23.9 | 6.2% | 25.5 | 6.3% | 1.6 |
| 12 | Realty Transfer Tax | 116.9 | 93.0 | -20.4% | 91.5 | -21.7% | (1.5) | 93.0 | 0.0% | 91.5 | 0.0% | (1.5) |
| 13 | Estate Tax | 4.9 | 0.3 | -93.9% | 0.3 | -93.9% | 0.0 | 0.0 | -100.0% | 0.0 | -100.0% | 0.0 |
| 14 | Insurance Taxes | 66.8 | 83.7 | 25.3% | 83.7 | 25.3% | 0.0 | 77.1 | -7.9% | 77.1 | -7.9% | 0.0 |
| 15 | Public Utility Tax | 39.4 | 46.2 | 17.4% | 46.2 | 17.4% | 0.0 | 48.3 | 4.5% | 48.3 | 4.5% | 0.0 |
| 16 | Cigarette Taxes | 88.5 | 88.0 | -0.6% | 87.5 | -1.2% | (0.5) | 89.9 | 2.2% | 89.4 | 2.2% | (0.5) |
| 17 | Other Revenues | 72.1 | 99.6 | 38.2% | 99.4 | 37.9% | (0.2) | 89.7 | -9.9% | 89.7 | -9.8% | 0.0 |
| 18 | Less: Other Refunds | <u>(21.0)</u> | <u>(20.0)</u> | -4.8% | <u>(18.4)</u> | -12.4% | 1.6 | <u>(22.4)</u> | 12.0% | <u>(22.4)</u> | 21.7% | 0.0 |
| | Net Receipts | 3,169.9 | 3,271.2 | 3.2% | 3,268.9 | 3.1% | (2.3) | 3,342.5 | 2.2% | 3,345.9 | 2.4% | 3.4 |

FY 2008 Debt Limit:

\$167.3

Table 2.
DEFAC Worksheet

| April-07 DEFAC Meeting | | FY 2009 | | | | |
|-----------------------------------|---|-------------------------------|-----------------------------|-------------------------------|-----------------------------|---------------------------------------|
| | Revenue Category | L DEFAC Mar-07 | M % L over G | N DEFAC Apr-07 | O % N over I | P \$ Increase N over L |
| 1 | Personal Income Tax | 1,359.2 | 6.5% | 1,343.8 | 6.4% | (15.4) |
| | Less: Refunds | (182.0) | 5.0% | (182.0) | 5.0% | 0.0 |
| | PIT Less Refunds | 1,177.2 | 6.7% | 1,161.8 | 6.6% | (15.4) |
| 2 | Franchise Tax | 566.8 | 3.0% | 566.8 | 3.0% | 0.0 |
| | Less: Refunds | (13.0) | 0.0% | (13.0) | 0.0% | 0.0 |
| | Franchise Tax Less Refunds | 553.8 | 3.1% | 553.8 | 3.1% | 0.0 |
| 3 | Business Entity Fees | 68.8 | 3.9% | 68.8 | 3.9% | 0.0 |
| 4 | Limited Partnerships & LLC's | 113.5 | 11.9% | 113.5 | 11.9% | 0.0 |
| 4 | Uniform Commercial Code | 12.2 | 2.5% | 12.2 | -7.6% | 0.0 |
| | Corporation Income Tax | 203.0 | 0.0% | 190.0 | -3.6% | (13.0) |
| 5 | Less: Refunds | (32.5) | 0.0% | (32.5) | 0.0% | 0.0 |
| | CIT Less Refunds | 170.5 | 0.0% | 157.5 | -4.3% | (13.0) |
| 6 | Bank Franchise Tax | 156.9 | 1.4% | 156.9 | 1.4% | 0.0 |
| 7 | Gross Receipts Tax | 182.5 | 6.5% | 181.1 | 6.5% | (1.4) |
| 8 | Lottery | 257.0 | 4.3% | 262.9 | 4.3% | 5.9 |
| 9 | Abandoned Property | 310.0 | 0.0% | 327.0 | 0.0% | 17.0 |
| 10 | Hospital Board and Treatment | 77.0 | 10.0% | 77.2 | 10.0% | 0.2 |
| 11 | Dividends and Interest | 24.4 | 2.1% | 26.0 | 2.0% | 1.6 |
| 12 | Realty Transfer Tax | 93.0 | 0.0% | 91.5 | 0.0% | (1.5) |
| 13 | Estate Tax | 0.0 | Na | 0.0 | NA | 0.0 |
| 14 | Insurance Taxes | 82.2 | 6.6% | 82.2 | 6.6% | 0.0 |
| 15 | Public Utility Tax | 50.7 | 5.0% | 50.7 | 5.0% | 0.0 |
| 16 | Cigarette Taxes | 91.9 | 2.2% | 91.4 | 2.2% | (0.5) |
| 17 | Other Revenues | 92.8 | 3.5% | 92.8 | 3.5% | 0.0 |
| 18 | Less: Other Refunds | (22.4) | 0.0% | (22.4) | 0.0% | 0.0 |
| | Net Receipts | 3,492.0 | 4.5% | 3,484.9 | 4.2% | (7.1) |

Table 3.

Balance and Appropriations Worksheet

FY 2007 EXPENDITURES

| | |
|---|-----------------|
| Total Spending Authority | \$3,737.7 |
| Less: Continuing Appropriations & Encumbrances from FY 2007 | (\$264.2) |
| Less: Reversions | <u>(\$10.0)</u> |
| Total Expenditures | \$3,463.5 |

FY 2007 BALANCES

| | |
|---|------------------|
| Total Expenditures | \$3,463.5 |
| vs. FY 2007 Revenues | 3,268.9 |
| Operating Balance | (194.6) |
| Prior Year Cash Balance | <u>\$690.6</u> |
| Cumulative Cash Balance | 496.0 |
| Less: Continuing Appropriations & Encumbrances from FY 2007 | (264.2) |
| Less: Budgetary Reserve Account | <u>(\$175.4)</u> |
| Unencumbered Cash Balance 6/30 | \$56.4 |

FY 2008 APPROPRIATION LIMITS

| | |
|--|-------------------|
| FY 2008 Revenue Estimate | \$3,345.9 |
| Unencumbered Cash Balance from FY 07 | <u>\$56.4</u> |
| 100% Appropriation Limit | \$3,402.3 |
| 98% Appropriation Limit | <u>\$3,334.2</u> |
| Prior 98% Appropriation Limit | \$3,333.2 |
| Increase (Decrease) from Prior Meeting | \$1.1 0.0% |
| Dec. 2006 98% Appropriation Limit | \$3,346.4 |
| Increase (Decrease) from December 2006 | (\$12.2) -0.4% |

Table 4.

DELAWARE DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund Revenues

| | | | | Fiscal 2007 | | | Fiscal 2008 | | |
|--|-----------------|-----------------|-----------------|-----------------------|---------------------|-----------------|-----------------------|---------------------|-----------------|
| | FY 05 Actual | FY 06 Actual | % Chg. FY 05 | 3/19/2007 Approved | 4/16/2007 Recomm | % Chg. FY 06 | 3/19/2007 Approved | 4/16/2007 Recomm | % Chg. FY 07 |
| <u>TOLL ROAD REVENUES:</u> | | | | | | | | | |
| I95 Newark Plaza | \$57.9 | \$85.0 | 46.8% | \$94.4 | \$94.4 | 11.0% | \$96.0 | \$96.0 | 1.8% |
| Route 1 Toll Road | 30.2 | 31.5 | 4.3% | \$32.9 | \$32.9 | 4.6% | \$34.2 | \$34.2 | 3.9% |
| Concessions | <u>2.8</u> | <u>2.7</u> | <u>-3.6%</u> | <u>\$2.7</u> | <u>\$2.7</u> | <u>0.0%</u> | <u>\$2.7</u> | <u>\$2.7</u> | <u>0.0%</u> |
| Total Toll Road Revenues | 90.9 | 119.2 | 31.1% | \$130.0 | \$130.0 | 9.1% | \$133.0 | \$132.9 | 2.3% |
| <u>MOTOR FUEL TAX ADMIN.</u> | | | | | | | | | |
| Motor Fuel Tax | 113.7 | 120.1 | 5.6% | \$117.7 | \$117.7 | -2.0% | \$120.0 | \$120.0 | 2.0% |
| Motor Carrier Fees | <u>4.2</u> | <u>3.6</u> | <u>-14.3%</u> | <u>\$3.9</u> | \$3.5 | <u>-3.4%</u> | <u>\$3.9</u> | \$3.9 | <u>12.1%</u> |
| Total MFTA Revenues | 117.9 | 123.7 | 4.9% | \$121.6 | \$121.2 | -2.0% | \$123.9 | \$123.9 | 2.2% |
| <u>DIVISION OF MOTOR VEHICLES</u> | | | | | | | | | |
| Motor Vehicle Document Fees | 65.7 | 64.9 | -1.2% | \$63.7 | \$63.7 | -1.8% | \$65.6 | \$65.6 | 3.0% |
| Motor Vehicle Registration Fees | 30.2 | 30.2 | 0.0% | \$31.2 | \$31.2 | 3.3% | \$32.1 | \$32.1 | 3.0% |
| Other DMV Revenues | <u>20.3</u> | <u>20.3</u> | <u>0.0%</u> | <u>\$21.0</u> | \$20.5 | <u>0.8%</u> | <u>\$21.6</u> | \$21.1 | <u>3.0%</u> |
| Total DMV Revenues | <u>116.2</u> | <u>115.4</u> | <u>-0.7%</u> | <u>\$115.9</u> | <u>\$115.4</u> | <u>0.0%</u> | <u>\$119.3</u> | <u>\$118.8</u> | <u>3.0%</u> |
| <u>OTHER TRANSPORTATION REV.</u> | | | | | | | | | |
| Other Transportation Rev | 7.6 | 13.0 | 71.1% | \$15.7 | \$15.7 | 20.8% | \$10.2 | \$10.2 | -35.0% |
| Investment Income(Net) | <u>5.2</u> | <u>7.9</u> | 51.9% | <u>\$10.5</u> | \$12.4 | <u>57.0%</u> | <u>\$10.5</u> | \$10.5 | <u>-15.3%</u> |
| Total Other Transp. Revenue | <u>12.8</u> | <u>20.9</u> | <u>63.3%</u> | <u>\$26.2</u> | <u>\$28.1</u> | <u>34.4%</u> | <u>\$20.7</u> | <u>\$20.7</u> | <u>-26.3%</u> |
| GRAND TOTAL | <u>\$337.8</u> | <u>\$379.2</u> | <u>12.3%</u> | <u>\$393.7</u> | <u>\$394.6</u> | <u>4.1%</u> | <u>\$396.9</u> | <u>\$396.4</u> | <u>0.4%</u> |

Table 5.

Delaware Department of Transportation
FY 2007 EXPENDITURES **July - March 2007**

(\$ in millions)

75%

| | FY2004 | FY2005 | FY2006 | FY2007 | March | April | | FY2007 | % spent |
|---|---------------|---------------|---------------|----------------------|-----------------|-----------------|----------------------|--------------|--------------|
| Operations | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Appropriation</u> | <u>Forecast</u> | <u>Forecast</u> | <u>\$ difference</u> | <u>YTD</u> | <u>YTD</u> |
| Debt Service | 95.0 | 99.2 | 146.2 | 116.9 | 115.1 | 115.1 | 0.0 | 84.5 | 73.4% |
| Personnel Costs | 75.2 | 81.2 | 87.1 | 105.0 | 104.0 | 104.0 | 0.0 | 77.7 | 74.7% |
| Operations/Capital Outlay | 46.3 | 52.8 | 42.7 | 51.9 | 55.1 | 55.1 | 0.0 | 35.1 | 63.7% |
| Transit Operations | <u>64.9</u> | <u>70.4</u> | <u>74.3</u> | <u>79.3</u> | <u>79.3</u> | <u>79.3</u> | <u>0.0</u> | <u>54.2</u> | <u>68.3%</u> |
| Total Expenditures - Operations | 281.4 | 303.6 | 350.3 | 353.1 | 353.5 | 353.5 | 0.0 | 251.5 | 71.1% |
| Capital (State) | | | | | | | | | |
| Road System | 124.9 | 186.5 | 211.8 | 185.6 | 148.6 | 132.9 | (15.7) | 86.7 | 65.2% |
| Grants & Allocations | 19.0 | 25.1 | 23.9 | 64.4 | 64.4 | 64.4 | 0.0 | 26.3 | 40.8% |
| Support Systems | 45.7 | 53.3 | 26.7 | 28.6 | 21.6 | 17.3 | (4.3) | 12.6 | 72.8% |
| Transit | <u>15.9</u> | <u>14.8</u> | <u>4.1</u> | <u>3.7</u> | <u>3.7</u> | <u>3.7</u> | <u>0.0</u> | <u>1.9</u> | <u>51.4%</u> |
| Total Expenditures- State Capital | 205.5 | 279.7 | 266.5 | 282.3 | 238.3 | 218.3 | (20.0) | 127.5 | 58.4% |
| Capital (Federal) | | | | | | | | | |
| Road System | 84.4 | 94.0 | 101.3 | 233.8 | 133.9 | 126.7 | (7.2) | 57.8 | 45.6% |
| Grants & Allocations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Support Systems | 0.1 | 0.3 | 0.2 | 17.3 | 11.2 | 11.2 | 0.0 | 5.3 | 47.3% |
| Transit | <u>4</u> | <u>6.7</u> | <u>8.4</u> | <u>11.7</u> | <u>8.2</u> | <u>8.2</u> | <u>0.0</u> | <u>6.4</u> | <u>78.0%</u> |
| Total Expenditures - Federal Capital | 88.5 | 101 | 109.9 | 262.8 | 153.3 | 146.1 | (7.2) | 69.5 | 47.6% |
| Total Expenditures - Capital | 294.0 | 380.7 | 376.4 | 545.1 | 391.6 | 364.4 | (27.2) | 197.0 | 54.1% |
| TOTAL EXPENDITURES | 575.4 | 684.3 | 726.7 | 898.2 | 745.1 | 717.9 | (27.2) | 448.5 | 62.5% |

Table 6.

DEFAC Cash Flow - TTF

(\$ in millions)

April 16, 2007

**Budget
FY 2007****Revenues:**

| | | |
|-------------------------------|-------|-------|
| Toll Road Revenue | 130.0 | |
| Motor Fuel Tax Administration | 121.2 | |
| Division of Motor Vehicles | 115.4 | |
| Other Transportation Revenue | 28.1 | 394.6 |

Other Funds:

| | | |
|----------------------|------|------|
| General Fund Support | 60.0 | |
| Escheat | 24.0 | |
| Port Loan Repayment | 1.0 | |
| Transit - Farebox | 14.3 | 99.3 |

TTF Funds Available **493.9**

LESS:

| | | |
|--------------------------|---------|--|
| Debt Service | (115.1) | |
| Personnel and Operations | (159.1) | |
| Transit Operations | (79.3) | |

Total Debt Service and Operations **(353.5)**

TTF Funds Available for Capital **140.4**

| | | |
|--|-------|--|
| Plus: Beginning Capital Cash Available | 29.5 | |
| Plus: Borrowing | 124.0 | |

Total - TTF Resources Available for Capital 293.9

Less:

| | | |
|--------------------------------------|---------|--|
| State Capital Work Plan Expenditures | (218.3) | |
|--------------------------------------|---------|--|

Ending Cash Balance **75.6**

| | | |
|--|------|--|
| Contractually Obligated and Encumbered | 55.6 | |
| Capital Cash to start FY2008 | 20.0 | |
| | 75.6 | |

| Transportation Trust Fund Capital Authorization State Authorizations | |
|---|---------|
| Authorization Balance 6/30/2006 | 807.3 |
| State Capital Authorization (FY07 Bond Bill 176.3 less Re-Authorizations 115.8) | 60.5 |
| Capital Spending - FY 2007 | (218.3) |
| Contractually Obligated and Encumbered | (55.6) |
| Authorized and Unfunded 6/30/2007 | 593.9 |